

**IN THE COURT OF APPEAL (CIVIL DIVISION)
ON APPEAL FROM THE HIGH COURT OF JUSTICE
CHANCERY DIVISION (PATENTS COURT)**

**The Hon Mr Justice Arnold
[2013] EWHC 1925 (Pat)**

Royal Courts of Justice
Strand, London, WC2A 2LL
10/04/2014

B e f o r e :

**LORD JUSTICE MOSES
LADY JUSTICE BLACK
and
LORD JUSTICE KITCHIN**

Between:

Magmatic Ltd

**Claimant/
Respondent**

- and -

PMS International Group Plc

Defendant/Appellant

**Michael Hicks and Jonathan Moss (instructed by Briffa)
for the Claimant/Respondent
Mark Vanhegan QC and Chris Aikens (instructed by Gordons Partnership LLP)
for the Defendant/Appellant**

HTML VERSION OF JUDGMENT ON FORM OF ORDER

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Lord Justice Kitchin:

Introduction

1. We gave judgment in this appeal on 28 February 2014. Thereafter, the parties sought time in which to attempt to agree a form of order and to file submissions about any aspects of it upon which they differed. Four issues remain in dispute. This is the ruling of the Court upon those issues.

Costs

2. Magmatic accepts that PMS is entitled to its costs of the appeal. The parties are, however, unable to agree as to the appropriate order in relation to the costs of the trial. PMS contends that Magmatic should pay 80% of its costs. Magmatic responds that rather than paying any of PMS's costs, PMS should be paying 40% of its costs.

Before addressing these rival submissions, we must first say a little about the order made by Arnold J and how he arrived at it.

3. Arnold J dealt with costs at a separate hearing on 22 July 2013. In his judgment ([2013] EWHC 4498 (Pat)) he concluded that PMS should pay 70% of Magmatic's costs of the trial, essentially for the following reasons. Magmatic was, he thought, the overall winner. However, it had lost on a number of significant issues, notably a claim in passing off which was abandoned at an early stage; a claim for infringement of copyright in art work, accounting for about 3% of its costs; the Article 7 point (that is to say, disclosure of the Rodeo), accounting for about 10% of its costs; and two of the six unregistered design right claims, accounting for about 5-10% of its costs. Overall, therefore, Magmatic lost on issues in relation to which it had incurred about 20% of its costs. Further, the judge considered that these were issues which were sufficiently discrete to warrant a notional recovery by PMS. On the assumption the parties had incurred costs at the same level, this would therefore point to a reduction in Magmatic's costs of about 40%.
4. There were, however, two further complicating factors. First, PMS's costs were about 50% higher than those of Magmatic. Second, a week before trial, Magmatic made an offer to settle which, broadly speaking, it bettered in the final result. Overall, the judge considered an order requiring PMS to pay to Magmatic 70% of its costs would be fair.
5. PMS submits that now, following the appeal, it is plainly the overall winner. It has prevailed in relation to the claim for infringement of the CRD, the passing off claim, the claim for infringement of two of the unregistered design rights and the claim for infringement of copyright in the art work. Moreover, and importantly, it can no longer be restrained from dealing in the Kiddee Case, whether in the UK or Europe. It recognises it lost the claim for infringement of copyright in the wording of the safety notice but submits that this was conceded at trial and was, in any event, so minor as not to warrant any reduction at all. It also accepts that it lost the claim for infringement of four unregistered design rights, in relation to which some 30% of its costs were incurred. As for the counterclaim for a declaration that the CRD was invalid, it contends that this was relied upon only as a squeeze and that the only substantial costs incurred in relation to it were those concerning the Article 7 issue, and this was an issue upon which it prevailed.
6. PMS accepts that a reduction is appropriate to reflect Magmatic's success in its claims for infringement of four unregistered design rights but contends that account should be taken of the fact that the costs incurred in relation to these claims were increased significantly by multiple amendments made by Magmatic to its pleadings. Having regard to these matters, PMS contends that an appropriate apportionment of costs relating to these four unregistered designs is 20% of its overall costs. It accepts, however, that Magmatic should be entitled to its costs in respect of these designs and accordingly, given that PMS's overall costs were approximately 50% higher than Magmatic's, it says it should be entitled to recover some 66% of its total costs.
7. PMS then submits that this figure should be uplifted in light of an offer which it made two weeks before trial that it would admit the claim for infringement of the unregistered design rights in three of the designs upon which it ultimately lost and the claim for infringement of copyright in the art work and the safety notice, but that Magmatic must discontinue all other claims. This offer was, it submits, very close to what ultimately transpired and that accordingly a fair order would be that Magmatic should pay 80% of its costs of the trial.
8. Magmatic's submissions have a very different starting point. It relies on the evidence given by Mr Turner for PMS that some 20% of the trial costs were incurred in relation to the CRD claim (excluding the Article 7 point). It recognises that the judge's order must be varied to take account of the reversal of the position regarding the CRD but contends this can be achieved by deducting 20% from the costs the judge awarded to Magmatic, and by awarding 20% of the costs to PMS, resulting in a net costs order in favour of Magmatic of 30%, that is to say 70% less 40%. It continues that Mr Turner's estimate is, however, on the high side and that a more appropriate variation of the order would be to require PMS to pay 40% of Magmatic's costs.
9. It is not easy for this court to determine where the burden of the trial costs should fall. Nevertheless, we must do the best we can. In our judgment the following points are material.

10. First, we accept the submission advanced on behalf of PMS that it must now be regarded as the winner. It has prevailed in relation to the claim for infringement of the CRD and consequently can no longer be restrained from dealing in the Kiddee Case. In addition, as it says, it has succeeded in defeating the passing off claim, the claim for infringement of two of the six unregistered design rights and the claim for infringement of copyright in the art work. In this sense there has, therefore, been a substantial reversal of the position before the judge.
11. Second, we are satisfied that PMS should not, however, be awarded all of its costs and they should be the subject of a substantial reduction to reflect the issues upon which it lost. Moreover, we consider that we must have regard to the approach adopted by the judge, namely that the issues were, to a significant extent, self contained and thus PMS should pay to Magmatic a proportion of its costs to reflect those issues upon which Magmatic won. It is the assessment of those proportions that causes us the most difficulty.
12. One approach is to start with the figures at which the judge himself arrived. As we have indicated, he was of the view that 20% of PMS's costs were incurred in relation to the issues which, at that stage, it had won. Mr Turner estimated that PMS incurred a further 20% of its costs in relation to the issue of infringement of the CRD. This would suggest that PMS incurred some 40% of its costs on issues which it won and 60% of its costs on issues on which it lost.
13. On the other hand, as we have explained, PMS now contends that, in substance, the only issues upon which it lost were four of the six unregistered design right claims and that it incurred only 30% of its costs in relation to these, that this figure should be reduced to 20% in the light of multiple amendments made by Magmatic to its pleadings, and that we should also have regard to the offer which it made shortly before trial.
14. In our view these two approaches represent the extremes and neither provides the appropriate figure to adopt. The former fails to reflect the fact that PMS is the winner and must have incurred general costs in the action which it should be entitled to recover. Moreover, we do not believe that PMS should be required to pay to Magmatic the costs of the counterclaim in relation to the CRD which, we accept, was advanced as something of a squeeze. Conversely however, the approach urged upon us by PMS would mean that it would recover the costs of the counterclaim and that would, we think, be going too far, and it would take no account of the copyright claim upon which Magmatic prevailed. We also consider it appropriate to attach some but only limited weight to the amendments made by Magmatic to its pleadings.
15. Third, we believe that if, as the parties suggest, there should simply be a single net payment by one party to the other then it is appropriate to take into account that PMS's costs are 50% higher than those of Magmatic. We have also had some slight regard to the offer made by PMS before trial, although we note that PMS did not better it so far as the unregistered designs were concerned.
16. Having regard to all of the foregoing, the submissions made by the parties, the approach taken by the judge and our own assessment, we have reached the conclusion that a fair and proportionate result would be achieved by awarding PMS 45% of its trial costs.

Payment on account

17. It is accepted that PMS is entitled to a payment on account, the only issue being the sum that Magmatic should pay. We have come to the conclusion that PMS should have by way of a payment on account 50% of that proportion of its trial costs to which we consider it is entitled, and 60% of its appeal costs, these being relatively modest.

Permission to appeal

18. Magmatic seeks permission to appeal to the Supreme Court. We do not believe it is appropriate to grant permission. We have reached a conclusion different from that of the judge as to the scope of the CRD and the issue of infringement. However, this finding is specific to the circumstances of the present case and we do not believe it raises any point of general public importance.

Stay of enquiries pending appeal

19. We do not believe it is appropriate to grant a stay of the enquiries pending any application by Magmatic for permission to appeal.

Conclusion

20. We have decided all of the points in dispute and accordingly the parties are now requested to agree and lodge a draft minute of order reflecting this further ruling.